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PRESENTATION TO THE ONTARIO COMMITTEE ON TAXATION

BY

THE ONTARIO PROFESSIONAL FORESTERS ASSOCIATION

This Association is concerned about the future of privately owned forests in Ontario. The area of this timberland which exists, and the rapid depletion of the good quality timber on it, are cause for concern. Means must be found to encourage the individual landowner to maintain his woodlands in a productive state. Changes in taxation under the Assessment Act, The Succession Duties Act and The Municipal Drainage Act could be beneficial in this regard.

The forests of Southern Ontario which once covered the entire area have now been reduced to only 11.2 million productive acres south of the French and Mattawa Rivers. Of this total, 5.8 million acres are privately owned and contain one of the largest segments of hardwood timber remaining in the entire province.

An inventory report prepared by the Department of Lands and Forests shows the following percentages of the total growing stock in Ontario is located on these private lands.

Elm	82%
Basswood	66%
Black Cherry	66%
Soft Maple	61%
Beech	58%
Oak	57%
Ash	53%
Hard Maple	31%
Yellow Birch	12%

The Dominion Bureau of Statistics reports that there are still over 500 sawmills located in this part of Ontario and largely dependent on these forests for their supply of raw material.

In addition the Bureau reported in 1960 that there were 1,343 other types of wood using industries such as furniture factories, sash and door factories, veneer and plywood plants and hardwood flooring manufacturers in this part of Ontario. Although these industries do import some raw material from other provinces and foreign countries they are still dependent on local woodlands for a large portion of their requirements.

In the year 1960 this group of industries employed 27,137 people and paid out $92 million in wages. The value of the products produced exceeded $311 million - a very valuable contribution to the provincial economy.

These forests are important in many other ways. They protect farm fields from erosion by wind and water, provide shelter for wildlife, recreatinnal space for our people, and are an important factor in the conservation of ground water supplies.

In view of these facts it is obvious that these forest lands are an extremely valuable asset to the people of Ontario. The owners should be encouraged to retain as many acres of woods on their property as possible.

Unfortunately, most of these woodlots are in poor condition. They were considered a hindrance by the early settlers of this country because they had to be removed to provide land for agriculture. They have since been subjected to abuse and heavy cutting for a

century or more. Now only a minority contain trees which will yield the good quality timber required by industry. Pasturing is still a wide spread abuse. Grazing not only destroys young trees but retards the growth of larger trees due to compaction of the soil.

Recent surveys reveal that as much as 73% of the woodlands are being pastured in some areas, with an overall average of at least 50% across the south. This practice is needless waste as the woods provide little food of value to livestock.

Many landowners are indifferent to this problem and in other cases the cost of erecting proper fences is a burden which the farmer is unwilling to shoulder because the woodlot may not have sufficient saleable trees in it to offset this cost.

Trees are a unique crop. They require 75 to 100 years to reach maturity. This means that there may be four or five different owners of the property during the period in which one crop is maturing. Before the days of gas and oil heating the farmer received some benefit each year from the woodlot in the form of firewood. Nowadays little firewood is used.

Thus, many landowners may maintain a woodlot on their property for a lifetime and receive little or no cash return from it. They are foregoing the annual income they would have received had the land been cleared, and they are also providing growing space for a crop which will be harvested by a future generation.

We submit that this is unfair and recommend that changes in taxation be effected to rectify the situation.

Obviously in such circumstances the land-owner must be provided with an incentive to grow trees and maintain a woodlot.

The present Assessment Act provides a partial solution but does not go far enough. A landowner is allowed a tax exemption of one acre in 10 with a maximum of 20 acres in any one holding for forestry purposes. This would provide the answer to the problem were it not for the fact that the acreage of woodlands is not equally distributed among the owners.

Furthermore, county by-laws under The Trees Act which prohibit the destruction of trees have been enacted in 23 of the 41 counties of Southern Ontario and are likely to be established in others. These laws have, in effect, frozen the acreage of woodlands at their present level.

In this situation the owner with more than one acre in ten in woods is forced to pay taxes on the balance of his woodland yet he is being deprived of any revenue from this land unless the trees happen to reach maturity during his tenure of the property. With the present large acreage of small size second growth timber in the area this is not likely to happen in many cases. In this situation many landowners are building up a prejudice against the maintenance and care of woodlots which the Province can ill afford.

WE THEREFORE RECOMMEND THAT THE PRESENT LEGISLATION UNDER THE ASSESSMENT ACT BE AMENDED TO ALLOW A LANDOWNER TO CLAIM EXEMPTION FROM PROPERTY TAXES FOR ALL OF THE WOODLAND ACREAGE ON HIS PROPERTY PROVIDED HE MAINTAINS AN ADEQUATE STAND OF TREES THEREON (AS NOW DEFINED IN THE ACT) AND PROTECTS IT FROM GRAZING BY LIVESTOCK.

WE FURTHER RECOMMEND THAT THE MUNICIPALITY LEVY A YIELD TAX INSTEAD OF PROPERTY TAX TO BE COLLECTED FROM THE LANDOWNER AT THE TIME OF HARVEST OF ANY WOOD PRODUCTS FROM THESE LANDS. WE SUGGEST THAT A TAX OF 5% OF THE VALUE OF THESE PRODUCTS WOULD RETURN AN AMOUNT TO THE MUNICIPALITY EQUAL TO ITS PRESENT REVENUE THROUGH PROPERTY TAX ON WOODLANDS.

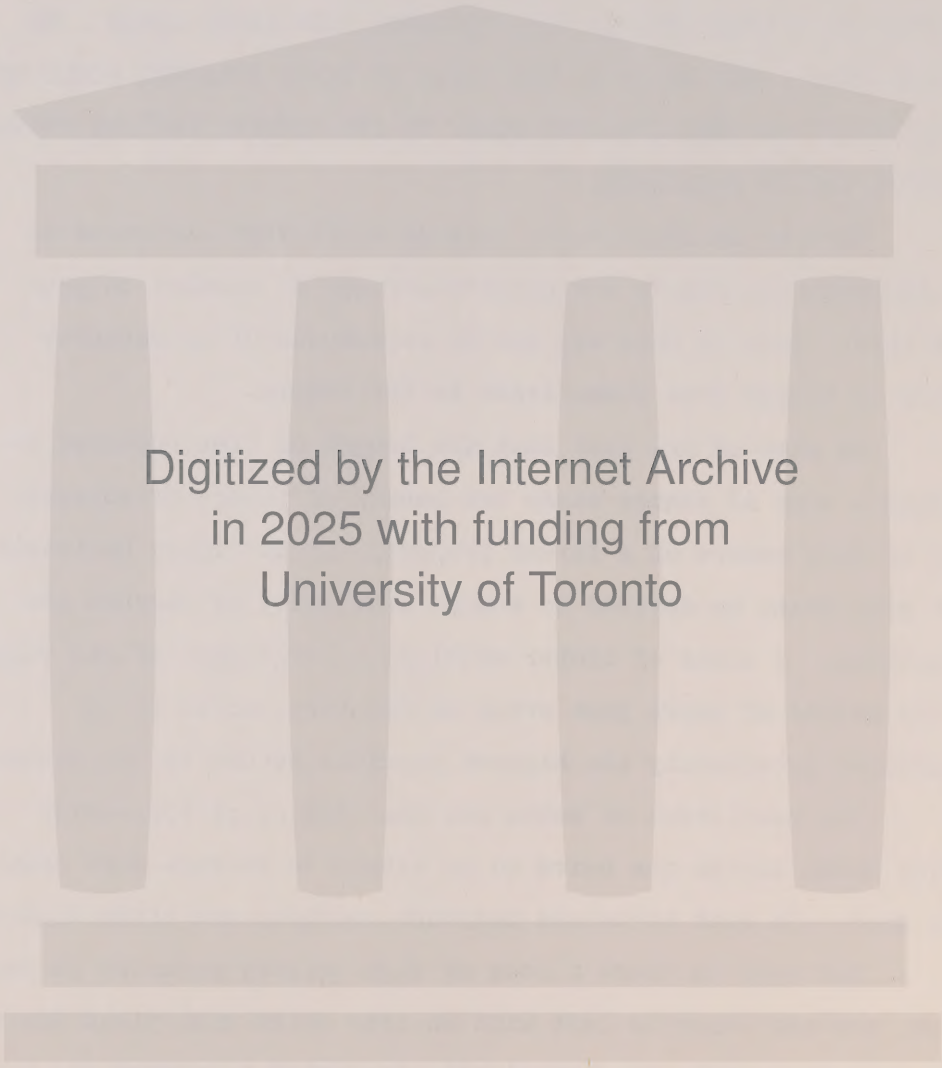
This we maintain would provide sufficient incentive to the landowner to retain his present acreage of woodlot in good condition. Only in this way can we be assured of an adequate supply of timber from these lands in the future.

In view of the fact that the length of time required to produce a crop of timber spans the length of tenure of possibly four or five owners of a forest property, it is highly desirable that some means be devised to ensure continuity of purpose and objectives. A stand of timber develops a large part of its value in the period of years just prior to maturity and if it is liquidated prematurely the highest possible return is not realized.

The settlement of debts and the payment of Succession Duties often forces the heirs to an estate to convert some assets into cash. In such instances immature woodlots are often liquidated.

Not only is there a loss of high quality material in such a cut, the new owner is left with an area which will yield him no revenue and he will thus have little incentive to manage it.

In Great Britain, woodlots are not included in the value of estates when succession taxes are computed. This encourages their preservation to maturity. Such legislation would be beneficial here as well.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WE THEREFORE RECOMMEND THAT THE SUCCESSION DUTIES ACT BE AMENDED TO ALLOW THE HEIRS TO AN ESTATE THE OPTION OF EXCLUDING WOODLOTS WHEN THE COMPILATION OF THE VALUE OF THE ESTATE IS MADE PROVIDED THEY AGREE THAT NO STANDING TIMBER WILL BE SOLD FOR A PERIOD OF AT LEAST 10 YEARS.

In most cases the value of the woodlot is less than $5,000 and the reduction in duties received by the Province would not be large. On the other hand the incentive provided by such an amendment would be extremely beneficial in conserving immature woodlands that would otherwise be destroyed.

We wish to also bring to your attention that taxation under the Municipal Drainage Act is often detrimental to forestry in Southern Ontario. Under this Act, a group of landowners may petition the township council to consider the establishment of a drain through their area. A survey is made and if acceptable to the majority of the landowners affected, the drain is constructed. The assumption usually made is that all drained land is more productive, but such is not always the case with respect to forest land. In the case of woods located along the course of a drain, the trees have been growing under established conditions for many years and the lowering of the water table through drainage is in fact detrimental to the trees. Nevertheless, the woodlot owner is assessed for "benefit" the same as the other landowners and must pay his share of the cost of constructing the drain.

In a recent case in Elgin County, a man owned a 50 acre woodlot valued at $2,500 and was assessed the "benefit" from 2 drains, which he opposed, for a total of $1,250. He appealed the assessment

and was defeated. He was in fact subsidizing his neighbours. Such practice is highly unfair to the forest owner.

This fact was recognized by the Royal Commission on Conservation in 1950 when they said:-

"Drainage projects are sometimes undertaken without enough attention being paid to considerations which may be outside the sphere of interest of the engineer or the accountant. Questions of land use capability, forestry, ground water supply and the like may be of importance. There is also the problem that sometimes a scheme which benefits one group of property owners may injure the interest of another group or that such may be their belief."

The Royal Commission made the following recommendations: "The Municipal Drainage Act should be amended to -

(a) Provide that an engineer reporting to Council should be required to include an opinion on the merits of the project in the light of land use and conservation principles, and

(b) Give any landowners affected the right to appeal after the adoption of an engineer's report, on grounds related to land use or conservation as well as the present grounds of appeal."

WE MAINTAIN THAT THE ABOVE RECOMMENDATIONS MADE BY THE ROYAL COMMISSION ON CONSERVATION SHOULD BE CARRIED OUT.